

UPDATES ON TECHNICAL ISSUES –THIRD QUARTER 2018

Introduction

These updates on Technical Issues – Third Quarter 2018 cover a summary of updates/issues including International Standards on Auditing (ISAs), International Financial Reporting Standards (IFRSs), International Public Sector Accounting Standards (IPSASs), International Standards of Supreme Audit Institutions (ISSAIs) and International Integrated Reporting.

This document includes issues published in July, August and September (Inclusive) 2018.

INTERNATIONAL STANDARDS ON AUDITING (ISAs)

Current Updates on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Proposed ISA 315 (Revised) – Identifying and assessing the Risks of Material Misstatements and Proposed Consequential and Conforming Amendments to other ISAs</p>	<p>International Assurance and Auditing Standard Board (IAASB) through its Group Audit Task Force has published a project update for enhancing audit quality focusing on group audit.</p> <p>The ED sets out the risk assessment and procedures that form the foundation for an audit of financial statements. The IAASB has proposed essential enhancements to the auditor’s risk assessment process, with the objective of establishing more robust requirements and appropriately detailed guidance to drive auditors to perform consistent and effective identification and assessment of the risks of material misstatements.</p> <p>It contains several key provisions that are designed to enhance the auditors’ exercise of professional skepticism throughout the risk assessment process.</p> <p>For more information go to: http://www.ifac.org/system/files/publications/files/Proposed-ISA-315-Revised-Explanatory-Memorandum.pdf</p>	<p>The deadline for stakeholders’ comments is on or before 2nd November 2018.</p>

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current issues on IPSASs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IPSAS 41 : Financial Instruments	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a new International Public Sector Accounting Standard 41 on financial instruments which replaces IPSAS 29: Financial Instruments: Recognition and Measurements.</p> <p>IPSAS 41 improves financial reporting for financial instruments, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf</p>	Effective for annual periods beginning on or after 1st January 2022 . Earlier application is permitted.
Exposure Draft 66 : Long-Term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft 66 on Long-term interest in associates and joint ventures and prepayment features with negative compensation.</p> <p>The Exposure Draft has been categorized into two parts whereby: Part I The objective of this part is to propose amendments to IPSAS to converge with the narrow-scope amendments to IAS 28, Investments in Associates and Joint Ventures,</p>	The deadline for stakeholders’ comments is on or before 22nd October 2018 .

	<p>made by the IASB in Long-term Interests in Associates and Joint Ventures(Amendments to IAS 28) (issued October 2017).</p> <p>Part II The objective of this part is to propose amendments to IPSAS to converge with the narrow-scope amendments to IFRS 9, Financial Instruments, made by the IASB in Prepayment Features with Negative Compensation (Amendments to IFRS 9) (issued October 2017).</p> <p>For More information go to: http://www.ifac.org/system/files/publications/files/ED-66-Amendments-to-IPSAS-36-and-IPSAS-41-Final.pdf</p>	
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IPSASs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>IPSAS 40 “Public Sectors Combination</p>	<p>The International Public Sector Accounting Standard Board (IASB) issued IPSAS 40 “Public Sectors Combination”</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public sector combination and its effects by establishing principles and requirement for how:-</p> <ul style="list-style-type: none"> a) A reporting entity classifies a public sector combination as an amalgamation or an acquisition, b) A resulting entity recognizes and measures in its financial statements the identifiable assets received, the liabilities assumed and any non-controlling interest in an amalgamation, c) A resulting entity recognizes and measures components of net assets/equity and other adjustments recognized in an amalgamation, 	<p>Effective for annual periods beginning on or after 1st January 2019.</p>

	<p>d) An acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation,</p> <p>e) An acquirer recognizes and measures the goodwill acquired in, or the gain or loss arising from an acquisition, and</p> <p>f) Any reporting entity determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a public sector combination.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IPSASB-IPSAS-40-Public-Sector-Combinations_0.pdf</p>	
<p>Revision of the cash basis IPSASs</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a revised International Public Sector Accounting Standard on Financial Reporting under the Cash Basis of Accounting (The Cash Basis IPSAS).</p> <p>The revision are intended to overcome the major obstacles to adoption of the cash basis IPSAS, and establish a clear and achievable transition path to adoption of the accrual IPSASs. The revisions includes</p> <ol style="list-style-type: none"> 1. Relocation of consolidation requirement from part 1 to part 2, 2. Simplification and relocation of disclosure requirement of information about external assistance and third part payments 3. Other minor clarification and cosmetic changes <p>For more information go to http://www.ifac.org/system/files/publications/files/Cash-Basis-IPSAS-2017.pdf</p>	<p>Effective for annual periods beginning on or after 1st January 2019. Early adoption is encouraged.</p>

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Current Updates on IFRSs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Discussion Paper: Financial Instruments with characteristics of equity</p>	<p>The International Accounting Standards Board (IASB) has issued a Discussion Paper on how companies issuing financial instruments should classify them in their financial statements.</p> <p>With continuing financial innovation some companies find it challenging to classify some complex financial instruments that combine some features of both debt—liabilities—and ordinary shares—equity instruments which in return can result in diverse accounting in practice, which in turn makes it difficult for users to assess and compare companies’ financial position and performance.</p> <p>The IASB propose an approach that would:</p> <ul style="list-style-type: none"> • provide a clear rationale for why a financial instrument would be classified as either a liability or equity without fundamentally changing the existing classification outcomes of IAS 32; and • enhance the information provided through presentation and disclosure. <p>For more information go to: https://www.ifrs.org/-/media/project/fice/discussion-paper/published-documents/dp-fice-june-2018.pdf</p>	<p>The deadline for stakeholders’ comments is on or before 7th January 2019.</p>

IFRSs which are applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IFRS 16 “Lease”	<p>The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 shall replace IAS 17 as well as IFRIC 4, SIC-15 and SIC-27.</p> <p>The following are some of the changes which have been made by the IASB to the IAS 17 which have been incorporated in IFRS 16. The standard:</p> <ol style="list-style-type: none"> a. Requires lessees to recognize assets and liabilities for most leases. b. Set out principles that both lessees and lessors apply to provide relevant information about leases. c. Provides additional disclosure requirements d. Provides no significant modification to accounting for lessors. e. Set out single accounting model for all leases except for low value assets and short term leases <p>For more information go to: http://eifrs.ifrs.org/eifrs/PdfAlone?id=16047&sidebarOption=UnaccompaniedIfrs</p>	<p>For annual financial statements beginning on or after 1st January, 2019.</p> <p>Earlier adoption is encouraged.</p>
IFRS 17 “Insurance Contracts”	<p>The International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contract. The standard applies to all entities that issue insurance contracts.</p> <p>The standard provides consistent accounting for all insurance contracts</p> <ol style="list-style-type: none"> a. Updated information about obligations, risks and performance of insurance contract b. Increased transparency in financial information reported by insurance companies <p>For more information go to: http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Pages/Implementation.aspx</p>	<p>For annual financial statements beginning on or after 1st January, 2021.</p> <p>Earlier adoption is encouraged.</p>

INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS (ISSAIs)

Current Updates on ISSAIs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft: Compliance audit, ISSAI implementation handbook – Draft Version 0</p>	<p>The International Organization of Supreme Audit Institutions (INTOSAI) through its INTOSAI Development Initiative (IDI) has issued an Exposure Draft on Compliance Audit, ISSAI implementation handbook – Draft Version 0 for public comments.</p> <p>The IDI aims at making sure that Supreme Audit Institutions (SAIs) around the world move towards ISSAI compliant audit practices by developing and maintaining ISSAI Implementation Handbooks namely ISSAI Compliance Assessment Tools (iCATs) and guidance, Quality Assurance (QA) tools and guidance for financial, performance and compliance audits</p> <p>INTOSAI invites comments for the proposed ISSAI Compliance Assessment Tool for Financial Audit Version 0 (iCAT-FA) to replace the earlier compliance audit handbook.</p> <p>For more information go to: file:///C:/Users/Lenovo/Downloads/180801%20ca%20hb%20version%200%20EN%20(1).pdf</p>	<p>The deadline for stakeholders' comments is on or before 31st October 2018.</p>

INTERNATIONAL INTERGRATED REPORTING (IIR)

Current Updates on ISSAIs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>International Framework Implementation Feedback</p>	<p>The International Integrated Reporting Council (IIRC) has published the framework implementation feedbacks on the Exposure Draft which requested stakeholders provide comments regarding the implementation of the Integrated Framework.</p> <p>The purpose of the Exposure Draft which was issued in April, 2018 was to invite comments to gather feedback to inform:</p> <ul style="list-style-type: none"> • the technical programme of the Integrated Reporting Framework Panel to ensure it responds to market needs for guidance, research and other resources. • other aspects of the IIRC’s work, including strategy development, policy efforts, communications and Integrated Reporting Network activities. <p>For more information go to: http://integratedreporting.org/resource/international-ir-framework-implementation-feedback-2/</p>	<p>For information</p>

